

**VILLAGE OF
DEXTER
81-3020
FINANCIAL
STATEMENTS**

FEBRUARY 29, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Dexter	County Washtenaw
Audit Date February 29, 2004	Opinion Date June 9, 2004	Date Accountant Report Submitted to State: October 22, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Karl L. Drake, PC			
Street Address 3775 Kimmel Road		City Horton	State MI ZIP 49246
Accountant Signature Karl L. Drake CPA			

VILLAGE OF DEXTER

TABLE OF CONTENTS

	Page
Independent Auditor's Report.....	1-2
Combined Balance Sheet.....	3
Combined Statement of Revenue and Expenditures and Changes in Fund Balance.....	4
Combined Statement of Revenue and Expenditures and Changes in Fund Balance -Budget and Actual.....	5
Combined Statement of Revenue and Expenses and Changes in Retained Earnings/Fund Balance.....	6
Combined Statement of Cash Flows.....	7
Combining Balance Sheet - All Component Units.....	8
Combining Statement of Revenue and Expenditures - All Component Units.....	9
Notes to Financial Statements.....	10 - 25
SUPPLEMENTAL INFORMATION	
GENERAL FUND	
Balance Sheet.....	27
Detailed Statement of Revenue.....	28
Detailed Statement of Expenditures.....	29 - 32
SPECIAL REVENUE FUNDS	
Combining Balance Sheet.....	34
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances.....	35
CAPITAL PROJECT FUND	
Balance Sheet.....	37
Statement of Revenue, Expenditures and Changes in Fund Balance.....	38
FIDUCIARY FUND TYPES	
All Trust and Agency Funds - Combining Balance Sheet.....	40
All Agency Funds - Combining Statement of Changes in Assets and Liabilities.....	41
ENTERPRISE FUNDS	
Combining Balance Sheet.....	43 - 44
Combining Statement of Revenue, Expenses and Changes in Fund Equity.....	45 - 46
Combining Statement of Cash Flows.....	47
OTHER STATISTICAL INFORMATION	
Schedule of Long-Term Debt -	
Enterprise Fund Debt.....	49 - 52
General Long-Term Debt.....	53
Component Units - LDFA and DDA.....	54 - 55
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS.....	56

INDEPENDENT AUDITOR'S REPORT

To the Honorable President and Members of the
Village Council of the Village of Dexter, Michigan

We have audited the accompanying general purpose financial statements of the Village of Dexter, Michigan, as of and for the year ended February 29, 2004, as listed in the table of contents. These financial statements are the responsibility of the Village management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Dexter, Michigan, as of February 29, 2004, and the results of its operations and the changes in financial position of its proprietary fund types and Non-Expendable Trust Funds for the year then ended, in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2004, on our consideration of the Village of Dexter's internal control structure and a report dated June 9, 2004, on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements, and statistical data, listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the

Village of Dexter, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, the information is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Karl L. Drake

Karl L. Drake, PC
Certified Public Accountant

June 9, 2004

VILLAGE OF DEXTER

ALL FUND TYPES AND ACCOUNT GROUPS

COMBINED BALANCE SHEET

FEBRUARY 29, 2004

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES
	General	Special Revenue	Debt Service	Capital Project	Enterprise
ASSETS					
Cash	\$ 609,645	\$ 789,899	\$ 290,675	\$ ---	\$ 1,517,576
Accounts Receivable - Other	111,334	---	---	---	231,287
Accounts Receivable - Taxes	33,576	23,241	16,794	---	---
Special Assessments Receivable	---	---	467,767	---	639,262
Due From Other Funds	10,699	---	7,173	---	---
Due From Component Units	---	---	---	---	---
Due From Other Governments	---	---	---	---	---
Prepaid Expenses	---	---	---	---	---
Property, Plant and Equipment (Net of accumulated depreciation)	---	---	---	---	---
Amount Available in Debt Service Fund	---	---	---	---	13,538,709
Amount to be Provided for the Payment of General Long Term Debt	---	---	---	---	---
TOTAL ASSETS	\$ 765,254	\$ 813,140	\$ 782,409	\$ ---	\$ 15,926,834
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	\$ 66,618	\$ 3,044	\$ ---	\$ ---	\$ 25,868
Due to Other Funds	126,474	5,126	---	---	24,926
Due to Other Component Units	6,435	4,854	---	---	---
General Obligation Bonds Payable	---	---	---	---	6,465,000
Customer Deposits Payable	---	---	---	---	3,670
Due to Other Governments	---	---	---	---	---
Accrued Vacation, Sick, and Personal Pay	---	---	---	---	---
Installment Purchase Agreement	---	---	---	---	---
Notes Payable	---	---	---	---	---
Deferred Revenue	---	40,000	467,767	---	165,734
TOTAL LIABILITIES	199,527	53,024	467,767	---	7,324,460
FUND EQUITY					
Contributions	---	---	---	---	4,912,105
Investments in General Fixed Assets	---	---	---	---	---
Retained Earnings:					
Reserved	---	---	---	---	---
Unreserved	---	---	---	---	1,170,757
Fund balance:					2,519,512
Unrestricted	455,565	---	---	---	---
Restricted	110,162	760,116	314,642	---	---
TOTAL FUND EQUITY	565,727	760,116	314,642	---	8,602,374
TOTAL LIABILITIES AND EQUITY	\$ 765,254	\$ 813,140	\$ 782,409	\$ ---	\$ 15,926,834

FUND TYPES	ACCOUNT GROUPS		TOTALS PRIMARY GOVERNMENT (MEMORANDUM ONLY)	COMPONENT UNITS		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Debt		Governmental Fund Types	General Long-Term Debt Account Group	
\$ 143,845	\$ ---	\$ ---	\$ 3,351,640	\$ 2,704,141	\$ ---	\$ 3,055,781
---	---	---	342,621	---	---	342,621
---	---	---	73,611	---	---	73,611
149,353	---	---	1,107,029	---	---	1,107,029
315,000	---	---	167,225	---	---	167,225
---	---	---	315,000	11,289	---	326,289
---	---	---	---	781,742	---	781,742
---	---	---	---	---	---	---
---	1,140,798	---	14,679,507	---	---	14,679,507
---	---	314,642	314,642	---	354,438	669,080
---	---	1,910,358	1,910,358	---	2,769,046	4,679,404
\$ 608,198	\$ 1,140,798	\$ 2,225,000	\$ 22,261,633	\$ 3,497,172	\$ 3,123,484	\$ 28,882,289

\$ 3,344	\$ ---	\$ ---	\$ 98,874	\$ 109,976	\$ ---	\$ 208,850
10,699	---	---	167,225	---	---	167,225
---	---	---	11,289	---	315,000	326,289
---	---	2,225,000	8,690,000	---	2,808,484	11,498,484
137,189	---	---	140,859	---	---	140,859
---	---	---	---	512,158	---	512,158
105,194	---	---	105,194	---	---	105,194
---	---	---	---	---	---	---
---	---	---	165,734	---	---	165,734
---	---	---	1,147,029	---	---	1,147,029
256,426	---	2,225,000	10,526,204	622,134	3,123,484	14,271,822
---	---	---	4,912,105	---	---	4,912,105
---	1,140,798	---	1,140,798	---	---	1,140,798
---	---	---	1,170,757	---	---	1,170,757
---	---	---	2,519,512	---	---	2,519,512
---	---	---	455,565	2,243,964	---	2,699,529
351,772	---	---	1,536,692	631,074	---	2,167,766
351,772	1,140,798	---	11,735,429	2,875,038	---	14,610,467
\$ 608,198	\$ 1,140,798	\$ 2,225,000	\$ 22,261,633	\$ 3,497,172	\$ 3,123,484	\$ 28,882,289

See Accompanying Notes to Financial Statement.

VILLAGE OF DEXTER

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUE AND EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED FEBRUARY 29, 2004

	GOVERNMENTAL FUND TYPES				TOTALS PRIMARY GOVERNMENT
REVENUE	General	Special Revenue	Debt Service	Capital Project	
Taxes - Property	\$ 1,218,234	\$ 362,574	\$ 172,761	\$ ---	\$ 1,753,569
Special Assessments	---	---	79,777	---	79,777
State Revenue Sharing	209,465	171,072	---	---	380,537
Permits and Fees	19,736	---	---	---	19,736
Charges for Services	407,857	---	---	---	407,857
CATV Franchise Fees	28,529	---	---	---	28,529
Fines and Forfeitures	4,710	---	---	---	4,710
Interest Income	5,619	2,919	1,205	---	9,743
Contributions	50,096	120,208	---	---	170,304
Equipment Rentals	---	88,152	---	---	88,152
Building Rentals	39,661	---	---	---	39,661
Other	45,973	---	---	---	45,973
Administrative Fees	129,342	---	---	---	129,342
Dare Reimbursement	62,832	---	---	---	62,832
TOTAL REVENUE	2,222,054	744,925	253,743	---	3,220,722
EXPENDITURES					
General Government	467,000	---	---	---	467,000
Public Safety	666,198	---	---	---	666,198
Public Works	787,220	423,828	---	---	1,211,048
Recreation and Cultural	25,925	---	---	---	25,925
Community Services	10,116	---	---	---	10,116
Capital Outlay	35,175	82,753	---	---	117,928
Debt Service	---	---	242,656	---	242,656
Other	---	---	---	---	---
TOTAL EXPENDITURES	1,991,634	506,581	242,656	---	2,740,871
OTHER FINANCING SOURCES					
Bond Proceeds	---	---	---	---	---
Transfer In	---	---	---	---	---
Transfer <Out>	---	---	---	---	---
TOTAL OTHER SOURCES	---	---	---	---	---
EXCESS <DEFICIENCY> OF REVENUE AND OTHER FINANCING SOURCES OVER <UNDER> EXPENDITURES AND USES	230,420	238,344	11,087	---	479,851
BEGINNING BALANCES - March 1	335,307	521,772	303,555	---	1,160,634
ENDING BALANCES - February 28	\$ 565,727	\$ 760,116	\$ 314,642	\$ ---	\$ 1,640,485

COMPONENT UNITS Governmental Funds	TOTALS (MEMORANDUM ONLY)
\$ 1,502,163	\$ 3,255,732
---	79,777
---	380,537
---	19,736
---	407,857
---	28,529
---	4,710
19,978	29,721
---	170,304
---	88,152
---	39,661
---	45,973
---	129,342
---	62,832
<u>1,522,141</u>	<u>4,742,863</u>
---	467,000
---	666,198
---	1,211,048
---	25,925
---	10,116
643,149	761,077
1,022,759	1,265,415
15,188	15,188
<u>1,681,096</u>	<u>4,421,967</u>
---	---
---	---
---	---
---	---
-158,955	320,896
<u>3,033,993</u>	<u>4,194,627</u>
<u>\$ 2,875,038</u>	<u>\$ 4,515,523</u>

See Accompanying Notes Financial Statements.

VILLAGE OF DEXTER

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUE AND EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED FEBRUARY 29, 2004

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Amended Budget	Actual	Variance Favorable <Unfavorable>	Amended Budget	Actual	Variance Favorable <Unfavorable>
REVENUE						
Taxes - Property	\$ 1,205,410	\$ 1,218,234	\$ 12,824	\$ 357,600	\$ 362,574	\$ 4,974
Special Assessments	---	---	---	---	---	---
State Revenue Sharing	212,400	209,465	-2,935	---	---	---
Permits and Fees	22,000	19,736	-2,264	151,900	171,072	19,172
Charges for Services	362,850	407,857	45,007	---	---	---
CATV Franchise Fees	23,000	28,529	5,529	---	---	---
Fines and Forfeitures	6,000	4,710	-1,290	---	---	---
Interest Income	6,000	5,619	-381	---	---	---
Contributions	40,000	50,096	10,096	4,500	2,919	-1,581
Equipment Rentals	---	---	---	105,600	120,208	14,608
Building Rental	16,500	39,661	23,161	71,700	88,152	16,452
Other	66,800	45,973	-20,827	---	---	---
Sale of Assets	250	---	-250	---	---	---
Administrative Fees	117,500	129,342	11,842	---	---	---
Dare Reimbursements	64,000	62,832	-1,168	---	---	---
TOTAL REVENUE	2,142,710	2,222,054	79,344	691,300	744,925	53,625
EXPENDITURES						
General Government	544,270	467,000	77,270	---	---	---
Public Safety	719,280	666,198	53,082	---	---	---
Public Works	675,100	787,220	-112,120	605,000	423,828	181,172
Recreation and Cultural	64,050	25,925	38,125	---	---	---
Community Services	11,300	10,116	1,184	---	---	---
Capital Outlay	44,600	35,175	9,425	---	---	---
Debt Service	---	---	---	71,600	82,753	-11,153
Other	---	---	---	---	---	---
TOTAL EXPENDITURES	2,058,600	1,991,634	66,966	676,600	506,581	170,019
OTHER FINANCING SOURCES						
Bond proceeds	---	---	---	---	---	---
Transfers In <Out>	---	---	---	---	---	---
TOTAL OTHER SOURCES	---	---	---	---	---	---
EXCESS <DEFICIENCY> OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	84,110	230,420	146,310	14,700	238,344	223,644
BEGINNING BALANCES - MARCH 1, 2003	335,307	335,307	---	521,772	521,772	---
ENDING BALANCES - FEBRUARY 29, 2004	\$ 419,417	\$ 565,727	\$ 146,310	\$ 536,472	\$ 760,116	\$ 223,644

DEBT SERVICE FUND			CAPITAL PROJECT FUND		
Amended Budget	Actual	Variance Favorable <Unfavorable>	Amended Budget	Actual	Variance Favorable <Unfavorable>
\$ 172,000	\$ 172,761	\$ 761	\$ ---	\$ ---	\$ ---
82,900	79,777	-3,123	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
2,000	1,205	-795	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
256,900	253,743	-3,157	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
170,200	242,656	-72,456	---	---	---
---	---	---	---	---	---
170,200	242,656	-72,456	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
---	---	---	---	---	---
86,700	11,087	-75,613	---	---	---
303,555	303,555	---	---	---	---
\$ 390,255	\$ 314,642	\$ -75,613	\$ ---	\$ ---	\$ ---

See Accompanying Notes Financial Statements.

VILLAGE OF DEXTER

ALL PROPRIETARY AND NON-EXPENDABLE TRUST FUND TYPES

COMBINED STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCE

FOR THE YEAR ENDED FEBRUARY 29, 2004

	PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPES	
	Enterprise	Non-Expendable Trust	Totals (Memorandum Only)
OPERATING REVENUE			
Service Charges	\$ 984,616	\$ ---	\$ 984,616
Interest Income	---	1,257	1,257
Other	9,535	---	9,535
TOTAL OPERATING REVENUE	994,151	1,257	995,408
OPERATING EXPENSES			
General and Administrative	1,775,138	---	1,775,138
OPERATING INCOME <LOSS>	-780,987	1,257	-779,730
NON-OPERATING REVENUE <EXPENSES>			
Tap in Fees	313,500	---	313,500
Interest and Fees	-351,235	---	-351,235
Interest Income	63,207	---	63,207
Special Assessments	159,815	---	159,815
Rental Income	4,710	---	4,710
LDFA Contribution	291,742	---	291,742
Other Income	49,970	---	49,970
Transfer In <Out>	---	---	---
TOTAL NON-OPERATING INCOME	531,709	---	531,709
NET INCREASE <DECREASE> IN RETAINED EARNINGS/FUND BALANCE	-249,278	1,257	-248,021
AMORTIZATION OF CONTRIBUTED CAPITAL	129,066	---	129,066
NET INCOME <LOSS> AFTER AMORTIZATION OF CONTRIBUTED CAPITAL	-120,212	1,257	-118,955
RETAINED EARNINGS/FUND BALANCE - BEGINNING OF YEAR	3,810,481	350,515	4,160,996
RETAINED EARNINGS/FUND BALANCE - END OF YEAR	\$ 3,690,269	\$ 351,772	\$ 4,042,041

See Accompanying Notes Financial Statements.

ALL PROPRIETARY AND NON-EXPENDABLE TRUST FUND TYPES

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED FEBRUARY 29, 2004

	PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPES	Totals (Memorandum Only)
	Enterprise	Non- Expendable Trust	
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income <Loss>	\$ -780,987	\$ 1,257	\$ -779,730
Adjustment to Reconcile Net Income to Net Cash Flows From Operating Activities:			
Depreciation	751,552	---	751,552
Decrease <Increase> in receivables	32,497	6,250	38,747
Decrease <Increase> in special assessment	64,910	---	64,910
Increase <Decrease> in payables	12,850	---	12,850
Decrease <Increase> in due from other funds	102,225	---	102,225
NET CASH FLOWS FROM OPERATING ACTIVITIES	183,047	7,507	190,554
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Tap in Fees	313,500	---	313,500
Special Assessments	159,815	---	159,815
Rent Receipts	4,710	---	4,710
LDFA Contribution	291,742	---	291,742
Grant Income	49,970	---	49,970
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	819,737	---	819,737
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Increase in Bonds and Loans Payable	290,000	---	290,000
Transfers In <Out>	---	---	---
Payment for Capital Assets	-573,529	---	-573,529
Principal Repayments	-1,372,523	---	-1,372,523
Interest Paid	-351,235	---	-351,235
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-2,007,287	---	-2,007,287
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts of Interest	63,207	---	63,207
NET INCREASE <DECREASE> IN CASH	-941,296	7,507	-933,789
CASH BALANCE - BEGINNING OF YEAR	2,458,872	29,265	2,488,137
CASH BALANCE - END OF YEAR	\$ 1,517,576	\$ 36,772	\$ 1,554,348

See Accompanying Notes to Financial Statements.

VILLAGE OF DEXTER

ALL COMPONENT UNITS

COMBINING BALANCE SHEET

FOR THE YEAR ENDED FEBRUARY 29, 2004

	ALL GOVERNMENTAL FUND TYPES		
	Local Development Finance Authority	Downtown Development Authority	Totals
ASSETS			
Cash			
Taxes Receivable	\$ 2,168,552	\$ 535,589	\$ 2,704,141
Due From Component Units	---	---	---
Due From Other Governments	---	---	---
Amount Available in Debt Service Fund	547,174	245,857	793,031
Amount to be Provided for Retirement of General Long-Term Debt	---	---	---
TOTAL ASSETS	\$ 2,715,726	\$ 781,446	\$ 3,497,172
LIABILITIES AND FUND BALANCE			
Accounts Payable	\$ ---	\$ 109,976	\$ 109,976
Due to Component Units	---	---	---
Due to Other Governmental Units	---	---	---
Loan Payable	472,293	39,865	512,158
Bonds Payable	---	---	---
Fund Balance - Reserved	---	631,074	631,074
Fund Balance - Unreserved	2,243,433	531	2,243,964
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,715,726	\$ 781,446	\$ 3,497,172

GENERAL LONG-TERM DEBT ACCOUNT GROUP

Local Development Finance Authority	Downtown Development Authority	Totals
\$ ---	\$ ---	\$ ---
---	---	---
---	---	---
---	---	---
---	354,438	354,438
1,758,484	1,010,562	2,769,046
<u>\$ 1,758,484</u>	<u>\$ 1,365,000</u>	<u>\$ 3,123,484</u>

\$ ---	\$ ---	\$ ---
---	315,000	315,000
---	---	---
---	---	---
1,758,484	1,050,000	2,808,484
---	---	---
---	---	---
<u>\$ 1,758,484</u>	<u>\$ 1,365,000</u>	<u>\$ 3,123,484</u>

See Accompanying Notes to Financial Statements.

VILLAGE OF DEXTER

ALL COMPONENT UNITS

COMBINING STATEMENT OF REVENUE AND EXPENDITURES

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Local Development Finance Authority	Downtown Development Authority	Totals
REVENUE			
Property Taxes	\$ 1,190,345	\$ 311,818	\$ 1,502,163
Interest Income	9,341	10,637	19,978
Other Income	---	---	---
TOTAL REVENUE	<u>1,199,686</u>	<u>322,455</u>	<u>1,522,141</u>
EXPENDITURES			
Downtown Development	---	643,149	643,149
Contribution to County Economic Development Council	7,500	---	7,500
Legal and Professional	2,850	3,300	6,150
Other Administrative	1,538	---	1,538
Debt Service	831,907	190,852	1,022,759
TOTAL EXPENDITURES	<u>843,795</u>	<u>837,301</u>	<u>1,681,096</u>
OTHER FINANCING SOURCES			
Bond Proceeds	---	---	---
Transfer to/from Village of Dexter	---	---	---
TOTAL OTHER FINANCING SOURCES	<u>---</u>	<u>---</u>	<u>---</u>
EXCESS <DEFICIENCY> OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	355,891	-514,846	-158,955
FUND BALANCE - BEGINNING OF YEAR	<u>1,887,542</u>	<u>1,146,451</u>	<u>3,033,993</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,243,433</u>	<u>\$ 631,605</u>	<u>\$ 2,875,038</u>

See Accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Dexter conform to United States generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Scope Of Reporting Entity

As required by United States generally accepted accounting principles, the financial statements of the reporting entity include those of the Village (the primary government) and its component units. The component units discussed below are included in the Village's reporting entity because of the significance of their operational or financial relationship with the Village.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

The Dexter Village Local Development Finance Authority (LDFA) and the Downtown Development Authority (DDA) have been determined to be separate legal entities but component units of the Village for financial reporting purposes. The "discrete" presentation method is used to report on these component units.

The Village LDFA and the Village DDA have separate audited financial statements that may be obtained from the LDFA Board of Directors or the DDA Board of Directors.

Basis Of Presentation - Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into three generic fund types and two broad fund categories as follows:

- **Governmental Funds**

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

VILLAGE OF DEXTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources used for the construction of the Industrial Park.

- **Proprietary Funds**

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

- **Fiduciary Funds**

Trust and Agency Funds - Trust and Agency funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust, Nonexpendable Trust, Pension Trust, and Agency Funds. Nonexpendable Trust and Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

- **Account Groups**

Long-Term Debt - Long-term liabilities expected to be financed from Village Funds are accounted for in the General Long-Term Debt Account Group. This account group is not a fund. It is concerned only with the measurement of financial position. It is not involved with the measurement of results of operations.

General Fixed Assets - General Fixed Assets have been acquired for general purposes and at the time of purchase were recorded as expenditures. The assets have been capitalized in a General Fixed Asset Group of Accounts as required by United States generally accepted accounting principles. This account group is not a fund.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include most federal grants, property taxes and charges for services. Most state shared revenues, licenses and permits, fines and forfeits and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled Sewage Disposal Fund and Water Fund utility services and Equipment Fund rental services receivable are recorded at year-end.

BUDGETARY DATA

The Village follows these procedures in establishing the budgetary data reflected in the financial statements.

1. In December, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. These are prepared on the activity level basis using the modified accrued method of accounting.
2. Public hearings are conducted at the Village office to obtain taxpayer comments.
3. Prior to February 28, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
4. The President or his designee is authorized to transfer budgeted amounts within the departmental appropriation accounts, however, the Village Council must approve any revisions that alter the total expenditures of any department.
5. Budget appropriations lapse at year-end except for approved contracts and certain federal grants that are appropriated on a contract (grant) or entitlement length basis.
6. The original budget was amended during the year in compliance with the Village Charter and applicable State laws, except for a few immaterial amounts. The "budget to actual" expenditures in the financial statements represent the final budgeted expenditures as amended by the Village.

VILLAGE OF DEXTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND FUND EQUITY

1. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Because of their spending measurement focus, expenditures recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account group, not in the governmental funds. The single exception to this general rule is for special assessment bonds, which are accounted for in Special Assessment Funds, if any.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by the proprietary funds is charged as an expense against their operations. Accumulated depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Sewage Disposal System	5 to 50 years
Water System	5 to 50 years

2. Inventories

The Water and Sewage Disposal Funds normally do not have materials and supplies of a significant amount on hand. Therefore, it is their practice not to recognize inventory on the books.

REVENUES, EXPENDITURES, AND EXPENSES

1. Property Taxes

The Village assesses taxes July 1 and collects real property taxes to September 15 for general operation and payment of the Village's debts. The County purchases uncollected real property taxes from the Village each year. The Village's millage rates for this year were: 10.1332 mills for operating, 3.118 mills for streets, and 1.10 mills for DDA General obligation Debt for a total of 14.3512 mills. Total authorized millage is 15 mills for operations and 1.89 mills for debt obligations. The taxable value of Village property was \$165,281,574.

2. Transfers Between Funds

Transfers between funds are budgeted and treated as operating transfers of the receiving and paying funds. Where such transfers are temporary advances that are to be repaid, they are carried as assets or liabilities of the advancing or borrowing funds. Transfers from the Industrial Development Fund to the Enterprise Funds are recorded as contributions of equity.

Excess of Expenditures Over Appropriations in Budgetary Fund

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in a certain budgetary fund that were in excess of the amounts appropriated. The Village incurred the following expenditures over budgetary appropriations:

	Budget	Expenditures	Excess
GENERAL FUND			
Community Services	\$ 675,100	\$ 787,220	\$ 112,120
DEBT SERVICE FUND			
Debt Service	\$ 170,200	\$ 242,656	\$ 72,456
EQUIPMENT REPLACEMENT FUND			
Capital Outlay	\$ 71,600	\$ 82,753	\$ 11,153

NOTE B - ACCUMULATED FUND DEFICITS

At February 29, 2004, there were no accumulated fund deficits.

VILLAGE OF DEXTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with United States generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE D - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	Balance 3-1-03	Additions	Deductions	Balance 2-29-04
Building and equipment	\$ 352,608	\$ 10,827	\$ ---	\$ 363,435
Public works equipment	561,552	24,348	---	585,900
Furniture, fixtures and equipment	191,463	---	---	191,463
	<u>\$ 1,105,623</u>	<u>\$ 35,175</u>	<u>\$ ---</u>	<u>\$ 1,140,798</u>

A summary of the Enterprise Funds properties as of February 29, 2004, is as follows:

	Water Fund	Sewer Fund	Depreciable Life
Land, plant, systems and equipment	\$ 6,684,547	\$ 12,089,963	5 to 50 years
Accumulated depreciation	<u>1,588,373</u>	<u>3,647,428</u>	
Net Fixed Assets	<u>\$ 5,096,174</u>	<u>\$ 8,442,535</u>	

NOTE E - ENTERPRISE FUNDS - LONG-TERM DEBT

Long-term debt of the Enterprise Funds at February 29, 2004, consists of the following:

	Sewer	Water	Total
LaSalle Bank Installment Note	\$ 165,734	\$ ---	\$ 165,734
Deferred Revenue	639,262	---	639,262
Rural Development Bonds Payable	2,853,000	2,447,000	5,300,000
G.O. Special Assessment Bonds Payable	29,250	15,750	45,000
Northeast Sewer Bonds Payable	720,000	---	720,000
1998 Bonds	---	400,000	400,000
Less: Current Portion	-275,214	-87,750	-362,964
Totals	\$ 4,132,032	\$ 2,775,000	\$ 6,907,032

The following is a summary of changes in the Enterprise Funds long-term debt during the year ended February 29, 2004:

	Balance 3/1/03	Additions	Payments	Balance 2-29-04
LaSalle Bank Installment Note	\$ 194,257	\$ ---	\$ 28,523	\$ 165,734
Northeast Sewer Bonds	900,000	---	180,000	720,000
1998 Bonds	435,000	---	35,000	400,000
1995 G.O. Special Assessment Bonds	90,000	---	45,000	45,000
Rural Development Water Bonds	2,919,000	178,000	650,000	2,447,000
Rural Development Sewer Bonds	3,175,000	193,000	515,000	2,853,000
Totals	\$ 7,713,257	\$ 371,000	\$ 1,453,523	\$ 6,630,734

Following is a detailed description of the above debts:

Northeast Sewer Bonds

The Village issued bonds in 1998 totaling \$1,735,000 to finance extensions for the sewer and water lines. The principal and interest amounts are due on October 1 and April 1, from 1998 to 2008. The principal amounts outstanding are \$180,000 per year. Interest rates range from 4.00% to 4.50%. A related special assessment to the benefiting property owners has been issued to finance the bond payments. At February 29, 2004, the amount of outstanding debt was \$720,000.

1995 Special Assessment Bonds (General Obligation Limited Tax)

On January 1, 1995 the Village issued G.O. Bonds in the amount of \$445,000 to finance extensions to the water and sewer lines. A related special assessment has been issued to the benefiting property owners. The principal and interest contractual amounts are due over 10 years starting April 1, 1995 through October 1, 2004. The interest rate is 5.9%. At February 29, 2004, the amount of outstanding debt was \$45,000.

1998 Village of Dexter Bonds

On May 27, 1998, the Village of Dexter issued Special Assessment Bonds (General Obligation Limited Tax) on behalf of the DDA in the amount of \$850,000 to finance downtown water system improvement projects. The principal and interest amounts are due over the next 15 years starting October 1, 1998 through October 1, 2012. The interest rates range from 4.05% to 5.50%. At February 29, 2004, the amount of outstanding debt was \$400,000.

VILLAGE OF DEXTER

NOTES TO FINANCIAL STATEMENT (CONTINUED)

NOTE E - ENTERPRISE FUNDS - LONG-TERM DEBT (CONTINUED)

1999 Water Supply System Revenue Bonds

On December 15, 1999, the Village issued \$3,173,000 of revenue bonds, which are payable to Rural Development. Interest is at 5% and payments are due on October 1. Payments are due for forty years beginning in 2000, and the principal payments range from \$10,000 to \$163,000. Rural Development is giving the money to the Village as construction debt is incurred. At February 29, 2004, the amount of outstanding debt was \$2,447,000.

2000 Sewage Disposal System Revenue Bonds

On February 8, 2000, the Village issued \$3,466,000 of revenue bonds, which are payable to Rural Development. Series A bonds (\$1,933,000) bear interest at 5% and Series B bonds (\$1,533,000) bear interest at 4.375%, and payments are due October 1. Payments are due for forty years beginning in 2000, and the principal payments range from \$32,000 to \$186,000. Rural Development is giving the money to the Village as construction debt is incurred. At February 29, 2004, the amount of outstanding debt was \$2,853,000.

LaSalle Bank Installment Note

On December 28, 2001, the Village borrowed \$288,153 from LaSalle Bank National Association. Annual principal and interest payments are due on May 28, 2003, through 2008. The initial payment is \$100,000.00, and the remaining payments are \$38,333.17. Interest is calculated at 5.05%. At February 29, 2004, the amount of outstanding debt was \$165,734.

NOTE F - GENERAL LONG-TERM DEBT OF PRIMARY GOVERNMENT AND COMPONENT UNITS

The following is a summary of changes in the general long-term debt of the Village and component units during the year ended February 29, 2004:

PRIMARY GOVERNMENT

Village of Dexter

	Balance 3/1/03	Additions	Payments	Balance 2/29/04
1996 Downtown Development Bonds	\$ 160,000	\$ ---	\$ 45,000	\$ 115,000
1998 Village of Dexter Bonds	600,000	---	60,000	540,000
2002 Village of Dexter Refunding Bonds	1,610,000	---	40,000	1,570,000
Total Primary Government Debt	\$ 2,370,000	\$ ---	\$ 145,000	\$ 2,225,000

COMPONENT UNITS

Local Development Finance Authority (LDFA)

1988 Village of Dexter G.O. Bonds	\$ 125,000	\$ ---	\$ 125,000	\$ ---
1999 Water Project Contract	530,325	---	176,775	353,550
1999 Sewer Project Contract	344,901	---	114,967	229,934
1999 LDFA Limited Tax G.O. Local Development Refunding Bonds	1,515,000	---	340,000	1,175,000
Total LDFA Debt	\$ 2,515,226	\$ ---	\$ 756,742	\$ 1,758,484

Downtown Development Authority (DDA)

	Balance 3-1-03	Additions	Deductions	Balance 2-29-04
Loan Payable - Great Lakes Bancorp	\$ 69,829	\$ ---	\$ 69,829	\$ ---
Loan Payable - Village of Dexter	315,000	---	---	315,000
Loan Payable - Village of Dexter	20,000	---	20,000	---
1994 Downtown Development Bonds	195,000	---	20,000	175,000
2001 Village of Dexter Bonds	890,000	---	15,000	875,000
Total DDA	\$ 1,489,829	\$ ---	\$ 124,829	\$ 1,365,000

Following is a detailed description of each of the above debts:

PRIMARY GOVERNMENT:**1996 Downtown Development Bonds**

On July 18, 1996 the Village of Dexter issued General Obligation Unlimited Tax Bonds on behalf of the DDA in the amount of \$1,800,000 to finance downtown improvement projects. The principal and interest amounts are due over 21 years starting November 1, 1996 through May 1, 2017. The interest rates range from 6.0% to 7.75%. The payments for 2005 through 2017 were refunded with the 2002 Refunding Bonds, and are considered defeased.

1998 Village Of Dexter Bonds

On May 27, 1998, the Village of Dexter issued General Obligation Limited Tax Bonds on behalf of the DDA in the amount of \$550,000 to finance downtown improvement projects. The principal and interest amounts are due over 15 years starting October 1, 1998 through October 1, 2012. The interest rates range from 4.05% to 5.50%.

2002 Village of Dexter Refunding Bonds

In 2002, the Village of Dexter issued General Obligation Unlimited Tax Refunding Bonds in the amount of \$1,610,000 to refund the final twelve years of payments on the 1996 Downtown Development Bonds. Principal and interest are due beginning May 1, 2003 through May 1, 2017. Interest rates range from 2.00% to 4.20%.

VILLAGE OF DEXTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - GENERAL LONG-TERM DEBT OF PRIMARY GOVERNMENT AND COMPONENT UNITS (CONTINUED)

COMPONENT UNITS:

LDFA Debt:

OBLIGATIONS IN THE NAME OF AND BACKED BY THE FULL FAITH AND CREDIT OF THE VILLAGE OF DEXTER:

General Obligation Bonds - 1988

General Obligation Bonds were issued April 1, 1988 in the amount of \$1,100,000. The bonds mature serially from 1991 to 2004 in amounts ranging from \$35,000 to \$125,000 annually. The interest rate ranges from 5.7% to 8.7%.

OBLIGATIONS IN THE NAME OF THE LDFA OF THE VILLAGE OF DEXTER BACKED BY THE LIMITED TAX, FULL FAITH, AND CREDIT OF THE VILLAGE OF DEXTER:

1999 Contracts Payable to Village of Dexter

In accordance with the 1998 Revised Tax Increment financing Plan, the LDFA has agreed to pay thirty percent (30%) of the cost of the 1999-2000 Village water and sewer system improvement costs.

The LDFA has agreed to provide \$1,060,650, in six equal payments over six (6) years, for the 1999 Village water system improvements.

The LDFA also agreed to provide \$1,189,800 for the 2000 Village sewage disposal system improvements. During the 1999-2000 fiscal year \$500,000 was paid to the village for this project. The balance of \$689,800 will be paid to the village in six equal payments over six years.

Bond Refunding/Subsequent Transaction

On August 19, 1999, the Dexter Village LDFA issued Local Development Refunding Bonds, Series 1999, Limited Tax General Obligation, in the amount of \$2,070,000. In August 1999, the LDFA received \$2,061,823 in proceeds that have been placed in an escrow fund at Michigan National Bank. These proceeds were used on April 1, 2000, to redeem the 1991 LDFA Series I, II, III, and IV bonds payable.

The refunding bonds repayment schedule is as follows:

	Fiscal Year		
	End	Interest	Principal
1999 Local Development Refunding Bonds General Obligation, Limited Tax Issue of \$2,070,000 dated August 19, 1999, maturing April 1, (principal and Interest rate: 4.1% to 5.0%)			
	2005	\$ 49,565	\$ 340,000
	2006	32,953	345,000
	2007	12,250	490,000
		<u>\$ 94,768</u>	<u>\$ 1,175,000</u>

DDA Debt:

INSTALLMENT PURCHASE AGREEMENT - GREAT LAKES BANCORP

On December 29, 1993 a loan for \$100,000 was acquired by the DDA to finance the purchase and demolition of property for use as a parking lot. The loan is payable in annual installments of the greater of \$8,450 or 50% of all tax increment financing revenue. This loan is to be paid in full on or before December 1, 2003. The effective annual interest cost is approximately 5.86% annually. This note was paid in full in 2003.

LOAN PAYABLE - VILLAGE OF DEXTER

On February 24, 1994, a loan for \$20,000 was acquired by the DDA to finance downtown improvement projects. The entire amount of principal and interest is due and payable on or before January 31, 2015. Interest will accrue at the rate of 1%. This loan was paid in full in 2003.

LOAN PAYABLE - VILLAGE OF DEXTER

On February 9, 1995, a loan of \$135,000 was acquired by the DDA to finance downtown improvement projects. An additional \$180,000 was acquired on January 1, 1998. The entire amount of principal and interest is due and payable on or before January 31, 2015. Interest will accrue at the rate of 3%.

1994 DOWNTOWN DEVELOPMENT BONDS

On November 1, 1994 the Village Downtown Development Authority issued General Obligation, Limited Tax Bonds in the amount of \$255,000 to finance downtown improvement projects. The principal and interest amounts are due over 15 years starting May 1, 1995 through May 1, 2009. The interest rates range from 6.0% to 7.1%.

2001 VILLAGE OF DEXTER BONDS

On December 1, 2001, the Village of Dexter issued General Obligation Limited Tax Bonds on behalf of the DDA in the amount of \$900,000 to finance downtown improvement projects. The principal and interest amounts are due over 19 years starting May 1, 2002 through May 1, 2020. The interest rates range from 4.5% to 7.0%.

VILLAGE OF DEXTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - RETIREMENT PLAN

PLAN DESCRIPTION

The Village contributes to the Michigan Municipal Employees' Retirement System, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Michigan. For the most recent available report the Village's Payroll for employees covered by this plan, for the year ended December 31, 2003 was \$866,692 and the total payroll was \$789,318.

Substantially all full-time employees are covered by the plan that provides benefits based on length of service and final average compensation. Employer obligation to contribute benefit provisions is established under the authority of the Village Council. Employee's benefits vest after 10 years of service. Employees are obligated to contribute to the plan.

FUNDING STATUS AND PROGRESS

The amount shown below as the actuarial accrued liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the plan's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The amount shown below as the actuarial accrued liability is a standardized disclosure measure independent of the actuarial funding method used to determine contributions to the plan.

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases if 5.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.2% per year depending on age, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement.

At December 31, 2003 the unfunded actuarial accrued liability was \$348,304 determined as follows:

Pension Benefit Obligation	
Retirees and beneficiaries currently receiving benefits	\$ 49,634
Terminated employees not yet receiving benefits	71,139
Current employees	
Accumulated employee contributions including allocated investment income	371,957
Employer financed	1,486,103
Total Actuarial Accrued Liability	1,978,833
Net Assets Available For Benefits, At Cost (market: \$1,488,849)	1,630,529
Unfunded Actuarial Accrued Liability	<u>\$ 348,304</u>
Fiscal Year Beginning - March 1, 2005	
Annual Required Contribution	\$ 62,400
Amortization Factor Used	0.053632

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended February 29, 2004, were determined using an entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

During the year ended February 29, 2004, employer contributions totaling \$58,457 were made in accordance with contribution requirements determined by an actuarial valuation of the plan.

Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation.

Analysis of Funding Progress

Valuation Date Dec. 31	Valuation Assets	Accrued Liabilities	Percent Funded (1)/(2)	Unfunded Actuarial Liability	Annual Covered Payroll	Unfunded Actuarial Liability As a Percent Of Payroll (4)/(5)
2003	\$ 1,630,529	\$ 1,978,833	82%	\$ 348,304	\$ 866,692	40%
2002	1,417,789	1,784,208	79%	366,419	835,232	44%
2001	1,271,105	1,469,988	86%	198,883	680,185	29%
2000	1,107,517	1,303,343	85%	195,826	687,506	28%
1999	953,581	1,076,927	89%	123,346	588,282	21%
1998	780,812	782,026	100%	1,214	506,942	0%
1997	662,784	686,131	97%	23,347	410,730	6%
1996	571,186	595,355	96%	24,169	359,020	7%
1995	491,336	539,878	91%	48,542	363,884	13%
1994	432,054	504,661	86%	72,607	319,359	23%
1993	393,134	445,050	88%	51,916	348,140	15%
1992	345,853	276,400	125%	-69,453	296,206	0%
1991	309,578	213,685	145%	-95,893	255,117	0%
1990	234,523	167,458	140%	-67,065	245,549	0%
1989	213,849	151,538	141%	-62,311	226,199	0%

NOTE: Total retired life liabilities are reflected above beginning in 1984. Actuarial assumptions were revised for 1993, 1997 and 2000 valuations.

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the plan's funded status on a going concern basis. Analysis of the percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

VILLAGE OF DEXTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Debt Fund	\$ 7,173	General Fund	\$ 7,173
General Fund	81	Industrial Dev. Fund	81
Payroll Fund	55,677	General Fund	55,677
General Fund	10,618	General Fund	10,618
Payroll Fund	2,563	Major Street Fund	2,563
Payroll Fund	2,563	Local Street Fund	2,563
Payroll Fund	17,782	Sewer Fund	17,782
Payroll Fund	7,144	Water Fund	7,144
Trust and Agency Fund	63,624		63,624
	<u>\$ 167,225</u>		<u>\$ 167,225</u>

NOTE I - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Village maintains two enterprise funds which provide water and sewer services. Segment information for the year ended February 29, 2004, was as follows:

	Water Fund	Sewer Fund	Total Enterprise Funds
Operating revenues	\$ 394,189	\$ 599,962	\$ 994,151
Depreciation expense	277,476	474,076	751,552
Net operating income <loss>	-340,741	-440,246	-780,987
Tax revenues	---	159,815	159,815
Increase <Decrease> in retained earnings	-102,446	-17,766	-120,212
Property - additions	473,565	99,964	573,529
Working capital	590,372	900,878	1,491,250
Total assets	5,804,141	10,122,693	15,926,834
Bonds and other long-term liabilities	2,775,000	4,132,032	6,907,032
Total Equity	2,911,546	5,690,828	8,602,374

There were no operating grants, entitlements, or shared revenues in either fund.

NOTE J - DEXTER AREA FIRE DEPARTMENT

The Village and the neighboring Townships of Webster, Dexter and Lima have joined together to form the Dexter Area Fire Department. The purpose of the Department is to provide fire protection and to establish and maintain a fire department that will serve the municipalities involved. The Department is governed by the Fire Administration Board whose membership is composed of individuals from each municipality. The revenues of the Department are provided by a service fee to each municipality, based upon a ratio of runs incurred to that municipality to total runs and the Department's net expenditures for the applicable period. The Fire Department is covered under separate audit.

NOTE K - DEXTER VILLAGE LDFA INVOLVEMENT

The Village of Dexter created the "Village of Dexter Local Development Finance Authority" on May 26, 1987, to promote economic growth of the Village.

Plans for the LDFA and a related Tax Increment Finance Plan call for the LDFA to capture certain property taxes on certain property improvements in the new Dexter Business and Research Park. The maximum of such taxes to be captured over the life of the tax increment financing plan will not exceed an established ceiling of \$8 million dollars. Tax revenues collected by the LDFA on these properties within its boundaries will be used to service six bond issues. The proceeds of these bond issues were used by the Village for infrastructure improvements at the Dexter Business and Research Park. Proceeds from the sale of certain lots in the Dexter Industrial Park will be recognized as revenue of the LDFA as the lots are sold in the future. These proceeds will also be used to service the related long-term debt.

NOTE L - CASH AND INVESTMENTS

The Village cash consists of checking accounts, savings and certificates of deposits at the various local banks. Deposits are carried at cost. The accounts at February 29, 2004, consist of the following:

National City Bank	\$ 1,758,471
TCF National Bank	1,593,044
Petty Cash	125

In accordance with GASB Statement #3, investments and cash deposits are classified into the following categories of risk:

	Bank Carrying Amount	Book Balance
Deposits:		
Insured (FDIC)	\$ 200,000	\$ 200,000
Uninsured:		
Uncollateralized	3,258,664	3,151,640
Totals	\$ 3,458,664	\$ 3,351,640

Differences between bank carrying value and book balance are caused by deposits in transit and outstanding checks.

The Village's deposits are in accordance with statutory authority.

NOTE M - RISK MANAGEMENT AND LITIGATION

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Village has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At February 29, 2004, no claims exist, and no provision has been entered into the accounting records.

VILLAGE OF DEXTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE N - LEASES

The Village leases office space from National City Bank beginning August 15, 2002 through June 30, 2006. Monthly payments are as follows:

July 1, 2003 - June 30, 2004	\$500
July 1, 2004 - June 30, 2005	\$550
July 1, 2005 - June 30, 2006	\$600

The Village also leases space for meetings on an "as needed" basis.

NOTE O - FUND BALANCE RESTRICTIONS

The following are restricted portions of fund balance.

General Fund

Building	\$ 27,183
Parks	82,979
	<u>110,162</u>

Special Revenue Funds

Streets	606,770
Equipment Replacement	153,346
	<u>760,116</u>

Debt Service	<u>314,642</u>
--------------	----------------

Trust & Agency

Economic Development	<u>351,772</u>
----------------------	----------------

Proprietary Reserves

Bond Reserve	340,375
Debt Retirement	730,298
Equipment Replacement	100,084
	<u>\$ 1,170,757</u>

SUPPLEMENTAL MATERIAL

GENERAL FUND

VILLAGE OF DEXTER

GENERAL FUND

BALANCE SHEET

FEBRUARY 29, 2004

ASSETS

Cash	\$ 609,645
Accounts Receivable - Taxes	33,576
Accounts Receivable - Other	111,334
Due from Other Funds	10,699
Due from Component Units	---
TOTAL ASSETS	<u>\$ 765,254</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 66,618
Due to Other Funds	126,474
Due to Component Units	6,435
TOTAL LIABILITIES	<u>199,527</u>

FUND BALANCE

Unrestricted	455,565
Restricted	110,162
TOTAL FUND BALANCE	<u>565,727</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 765,254</u>
---	--------------------------

GENERAL FUND
DETAILED STATEMENT OF REVENUE
FOR THE YEAR ENDED FEBRUARY 29, 2004

REVENUE

LOCAL SOURCES:

Property Taxes	\$ 1,218,234
Licenses, Permits and Fees	19,736
Charges for Services	407,857
Fines and Forfeits	4,710
DARE Reimbursement	62,832
Interest and Dividend Earnings	5,619
CATV Franchise Fees	28,529
Contributions	50,096
Rental Income	39,661
Administrative Fees	129,342
Other	45,973

TOTAL LOCAL SOURCES	<u>2,012,589</u>
----------------------------	------------------

STATE SOURCES:

Liquor License Fees	1,973
State Shared Revenues	207,492

TOTAL STATE SOURCES	<u>209,465</u>
----------------------------	----------------

OTHER SOURCES:

Transfers In	---
--------------	-----

TOTAL REVENUE	<u><u>\$ 2,222,054</u></u>
----------------------	----------------------------

VILLAGE OF DEXTER

GENERAL FUND

DETAILED STATEMENT OF EXPENDITURES

FOR THE YEAR ENDED FEBRUARY 29, 2004

GENERAL GOVERNMENT

GOVERNING BODY

Salaries	\$ 15,410
Payroll Taxes	1,168
Professional Services	2,011
Dues, Memberships, Subscriptions	11,638
Miscellaneous	154
Training and Education	10
Printing and Publishing	4,617
Council Chambers Lease	1,800
Discretionary	385
	<u>37,193</u>

VILLAGE MANAGER

Salaries	134,453
Payroll Taxes	10,864
Benefits	45,180
Supplies and Postage	231
Uniform Allowance	100
Professional Services	5,804
Travel Expense	939
Equipment Repairs and Maintenance	796
Memberships and Dues	75
Training and Education	1,305
	<u>199,747</u>

ELECTIONS

Salaries	769
Printing and Publishing	436
Miscellaneous	191
	<u>1,396</u>

FINANCE DEPARTMENT

Professional Services	2,857
Financial Audit	4,150
Bank Charges	958
	<u>7,965</u>

ATTORNEY

Legal Fees	<u>49,996</u>
------------	---------------

CLERK

Salaries	5,050
Payroll Taxes	358
Printing and Publishing	558
	<u>5,966</u>

TREASURER	
Salaries	
Payroll Taxes	\$ 49,594
Benefits	3,775
Supplies and Postage	18,434
Miscellaneous	454
	1
Membership and Dues	220
Travel and Entertainment	651
Education and Training	1,474
Printing and Publishing	1,990
Equipment Repairs and Maintenance	229
	<u>76,822</u>
BUILDING AND GROUNDS	
Operating Supplies	7,470
Professional Services	7,483
Office Space Rent	5,850
Utilities	860
Repairs and Maintenance	13,466
Equipment Rental	747
Miscellaneous	2,696
Telephone	5,973
	<u>44,545</u>
INSURANCE	
Unemployment	4,447
Workers Compensation	12,125
Liability	26,798
	<u>43,370</u>
TOTAL GENERAL GOVERNMENT	<u>467,000</u>
PUBLIC SAFETY	
LAW ENFORCEMENT	
Contract Services	305,082
Utilities	5,111
Building Repairs and Maintenance	1,505
	<u>311,698</u>
FIRE DEPARTMENT	
Contract Services	258,906
Utilities	2,500
Repairs and Maintenance	288
	<u>261,694</u>

VILLAGE OF DEXTER

GENERAL FUND

DETAILED STATEMENT OF EXPENDITURES - CONTINUED

FOR THE YEAR ENDED FEBRUARY 29, 2004

PLANNING DEPARTMENT

Salaries	\$ 45,918
Payroll Taxes	3,560
Benefits	12,730
Supplies and Postage	241
Professional and Contract Services	26,401
Printing and Publishing	939
Travel and Entertainment	372
Repairs and Maintenance	766
Training and Education	1,010
Dues, Memberships, and Subscriptions	230
Miscellaneous	173
	<u>92,340</u>

ZONING BOARD OF APPEALS

Salaries	195
Payroll Taxes	15
Printing and Publishing	256
	<u>466</u>

TOTAL PUBLIC SAFETY

666,198

PUBLIC WORKS

PUBLIC WORKS

Salaries	60,456
Payroll Taxes	5,944
Benefits	19,419
Operating Supplies	8,130
Gasoline and Oil	4,881
Dues, Memberships, Subscriptions	316
Tree Service	7,533
Professional and Contracted Services	33,788
Telephone	3,696
Travel and Entertainment	328
Medical	237
Utilities	10,791
Repairs and Maintenance	5,734
Vehicle Repairs and Maintenance	11,559
Equipment Rental	90
Uniform Allowance	5,039
Miscellaneous	200
Printing and Publishing	72
	<u>178,213</u>

ENGINEERING	
Consulting	\$ 45,632
Inspections	82,940
	<u>128,572</u>
STREET LIGHTING	
Utilities	58,390
SOLID WASTE	
Salaries	35,921
Payroll Taxes	2,548
Benefits	16,821
Operating Supplies	4,804
Printing and Publishing	382
Contract Services	340,333
Equipment Rental	21,236
	<u>422,045</u>
TOTAL PUBLIC WORKS	<u>787,220</u>
RECREATIONAL AND CULTURAL	
Salaries	9,058
Payroll Taxes	693
Benefits	9,700
Operating Supplies	662
Professional and Contract Services	3,896
Repairs and Maintenance	213
Porta Johns	960
Miscellaneous	124
Equipment Rental	619
	<u>25,925</u>
TOTAL RECREATIONAL AND CULTURAL	<u>25,925</u>
COMMUNITY SERVICES	
Ann Arbor Transit Authority	8,866
Other Community Services	1,250
	<u>10,116</u>
TOTAL COMMUNITY SERVICES	<u>10,116</u>
CAPITAL OUTLAY	
Buildings and Grounds	10,827
Public Works	24,348
	<u>35,175</u>
TOTAL CAPITAL OUTLAY	<u>35,175</u>
TRANSFER TO OTHER FUNDS	
	<u>---</u>
TOTAL EXPENDITURES AND TRANSFERS	<u><u>\$ 1,991,634</u></u>

VILLAGE OF DEXTER

SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

FEBRUARY 29, 2004

	Major Street Fund	Local Street Fund	Municipal Street Fund	Equipment Replacement Fund	Totals
ASSETS					
Cash	\$ 118,138	\$ 45,765	\$ 472,650	\$ 153,346	\$ 789,899
Taxes Receivable	---	---	23,241	---	23,241
Grants Receivable	---	---	---	---	---
Accounts Receivable - Other	---	---	---	---	---
Due from Other Funds	---	---	---	---	---
Due from Component Units	---	---	---	---	---
TOTAL ASSETS	\$ 118,138	\$ 45,765	\$ 495,891	\$ 153,346	\$ 813,140
LIABILITIES AND FUND BALANCE					
Accounts Payable	\$ 1,887	\$ 1,157	\$ ---	\$ ---	\$ 3,044
Due to Other Funds	2,563	2,563	---	---	5,126
Due to Other Component Units	---	---	4,854	---	4,854
Deferred Revenue	40,000	---	---	---	40,000
Fund Balance	73,688	42,045	491,037	153,346	760,116
TOTAL LIABILITIES AND FUND BALANCE	\$ 118,138	\$ 45,765	\$ 495,891	\$ 153,346	\$ 813,140

VILLAGE OF DEXTER

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Major Street Fund	Local Street Fund	Municipal Street Fund	Equipment Replacement Fund	Totals
REVENUE					
Gas and Weight Tax	\$ 125,375	\$ 43,941	\$ ---	\$ ---	\$ 169,316
Row Revenue	---	1,756	---	---	1,756
Property Taxes	---	---	362,574	---	362,574
Interest Income	389	384	1,568	578	2,919
Other	---	---	---	88,152	88,152
Contributions	120,183	25	---	---	120,208
TOTAL REVENUE	245,947	46,106	364,142	88,730	744,925
EXPENDITURES					
HIGHWAYS AND STREETS					
Construction	46,740	89,916	---	---	136,656
Routine Maintenance	59,700	44,707	---	---	104,407
Traffic Services	39,604	16,690	---	---	56,294
Winter Maintenance	51,554	52,072	---	---	103,626
Administration	40	169	22,385	251	22,845
CAPITAL OUTLAY	---	---	---	82,753	82,753
TOTAL EXPENDITURES	197,638	203,554	22,385	83,004	506,581
OTHER FINANCING SOURCES <USES>					
Transfer to Major Street Fund	---	---	---	---	---
Transfer to Local Street Fund	---	---	-110,000	---	-110,000
Transfer from General Fund	---	---	---	---	---
Transfers from Municipal Street Fund	---	110,000	---	---	110,000
TOTAL OTHER FINANCING SOURCES <USES>	---	110,000	-110,000	---	---
EXCESS <DEFICIENCY> OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	48,309	-47,448	231,757	5,726	238,344
Fund Balance - Beginning of Year	25,379	89,493	259,280	147,620	521,772
FUND BALANCE - END OF YEAR	\$ 73,688	\$ 42,045	\$ 491,037	\$ 153,346	\$ 760,116

CAPITAL PROJECT FUND

VILLAGE OF DEXTER

CAPITAL PROJECT FUND

BALANCE SHEET

FEBRUARY 29, 2004

ASSETS

Cash

Bank - Checking

Bank - Savings

Accounts Receivable

Note Receivable - D.D.A.

\$ ---

TOTAL ASSETS

\$ ---

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable

Due to Other Funds

\$ ---

TOTAL LIABILITIES

FUND BALANCE

TOTAL LIABILITIES AND FUND BALANCE

\$ ---

CAPITAL PROJECT FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED FEBRUARY 29, 2004

REVENUE

Interest Income	\$	---
Land Sales		---

TOTAL REVENUE

EXPENDITURES

Professional Services	---
Bank Charges	---
Capital Outlay and Industrial Park Expenditures	---
Lawsuit Settlement	---

TOTAL EXPENDITURES

OTHER FINANCING SOURCES

Transfer from General Fund	---
----------------------------	-----

EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES

FUND BALANCE - BEGINNING OF YEAR

FUND BALANCE - END OF YEAR

\$ ---

FIDUCIARY FUND TYPES

ALL TRUST AND AGENCY FUNDS

COMBINING BALANCE SHEET

FEBRUARY 29, 2004

	NON-EXPENDABLE TRUST FUNDS		AGENCY FUNDS	
	Economic Development Fund	Imprest Payroll Fund	Customer Deposits	Totals
ASSETS				
Cash	\$ 36,772	\$ 22,890	\$ 84,183	\$ 143,845
Accrued Interest Receivable	---	---	---	---
Due from Other Funds	---	85,729	63,624	149,353
Due from Component Units	315,000	---	---	315,000
Prepaid Expenses	---	---	---	---
TOTAL ASSETS	\$ 351,772	\$ 108,619	\$ 147,807	\$ 608,198
LIABILITIES AND FUND BALANCES				
Accounts Payable	\$ --	\$ 3,344	\$ ---	\$ 3,344
Customer Deposits	---	---	137,189	137,189
Accrued Vacation Pay	---	32,829	---	32,829
Accrued Sick Pay	---	72,365	---	72,365
Due to Other Funds	---	81	10,618	10,699
Fund Balances	351,772	---	---	351,772
TOTAL LIABILITIES AND FUND BALANCE	\$ 351,772	\$ 108,619	\$ 147,807	\$ 608,198

VILLAGE OF DEXTER

ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Balance 3-1-03	Additions	Deductions	Balance 2-29-04
IMPREST PAYROLL FUND				
ASSETS				
Cash	\$ 20,400	\$ 930,452	\$ 927,962	\$ 22,890
Due from Other Funds	39,695	46,034	---	85,729
Prepaid Expenses	---	---	---	---
TOTAL ASSETS	\$ 60,095	\$ 976,486	\$ 927,962	\$ 108,619
LIABILITIES				
Accrued Liabilities	\$ 60,095	\$ 976,405	\$ 927,962	\$ 108,538
Deferred Revenue	---	---	---	---
Due to Other Funds	---	81	---	81
TOTAL LIABILITIES	\$ 60,095	\$ 976,486	\$ 927,962	\$ 108,619

ENTERPRISE FUNDS

VILLAGE OF DEXTER

ENTERPRISE FUNDS COMBINING BALANCE SHEET

FEBRUARY 29, 2004

	Water Supply System	Sewage Disposal System	Totals
ASSETS			
CURRENT ASSETS			
Cash in Bank	\$ 104,445	\$ 242,374	\$ 346,819
Accounts Receivable	77,394	153,893	231,287
Taxes Receivable	---	---	---
Due from Other Funds	---	---	---
Special Assessment Receivable - Current	---	159,815	159,815
TOTAL CURRENT ASSETS	181,839	556,082	737,921
RESTRICTED ASSETS			
Cash on Deposit - Bond Reserve	170,131	170,244	340,375
Cash on Deposit - Replacement Reserve	15,902	84,182	100,084
Cash on Deposit - Debt Retirement	340,095	390,203	730,298
TOTAL RESTRICTED ASSETS	526,128	644,629	1,170,757
LONG-TERM ASSETS			
Special Assessments Receivable - Long-Term	---	479,447	479,447
Fixed Assets - Net of Accumulated Depreciation	5,096,174	8,442,535	13,538,709
TOTAL LONG-TERM ASSETS	5,096,174	8,921,982	14,018,156
TOTAL ASSETS	\$ 5,804,141	\$ 10,122,693	\$ 15,926,834

	Water Supply System	Sewage Disposal System	Totals
LIABILITIES, CONTRIBUTIONS, AND RETAINED EARNINGS			
CURRENT LIABILITIES			
Accounts payable	\$ 19,031	\$ 6,837	\$ 25,868
Current portion of long-term debt	87,750	275,214	362,964
Customer deposits	3,670	---	3,670
Due to other funds	7,144	17,782	24,926
TOTAL CURRENT LIABILITIES	117,595	299,833	417,428
LONG-TERM LIABILITIES			
Bonds payable, net of current portion	2,775,000	3,357,000	6,132,000
Note payable, net of current portion	---	135,770	135,770
Deferred revenue	---	639,262	639,262
TOTAL LONG-TERM LIABILITIES	2,775,000	4,132,032	6,907,032
TOTAL LIABILITIES	2,892,595	4,431,865	7,324,460
CONTRIBUTIONS	2,023,081	2,889,024	4,912,105
RETAINED EARNINGS			
Reserve for bond reserve	170,131	170,244	340,375
Reserve for debt retirement	340,095	390,203	730,298
Reserve for equipment replacement	15,902	84,182	100,084
Unreserved	362,337	2,157,175	2,519,512
TOTAL RETAINED EARNINGS	888,465	2,801,804	3,690,269
TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 5,804,141	\$ 10,122,693	\$ 15,926,834

VILLAGE OF DEXTER

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Water Supply System	Sewage Disposal System	Totals
OPERATING REVENUE			
Service Charges	\$ 390,190	\$ 594,426	\$ 984,616
Other	3,999	5,536	9,535
TOTAL REVENUE	394,189	599,962	994,151
OPERATING EXPENSES			
Payroll and Benefits	164,111	265,557	429,668
Supplies and Postage	6,087	2,014	8,101
Operating Supplies	72,389	24,093	96,482
Uniforms	1,933	2,852	4,785
Chemicals	---	25,663	25,663
Gasoline and Oil	1,115	2,680	3,795
Dues and Membership	414	277	691
Testing and Analysis	632	2,458	3,090
Professional and Contracted Services	78,969	91,475	170,444
Telephone and Fax	2,908	6,609	9,517
Travel and Entertainment	25	356	381
Printing and Publishing	976	157	1,133
Bonds and Insurance	8,140	22,727	30,867
Utilities	39,874	58,722	98,596
Building Repairs and Maintenance	2,570	381	2,951
Equipment Repairs and Maintenance	13,793	2,065	15,858
Vehicle Repairs and Maintenance	225	185	410
Equipment Rental	4,286	---	4,286
Miscellaneous	1,150	---	1,150
Training and Education	413	75	488
Depreciation	277,476	474,076	751,552
Administrative Costs	57,444	57,786	115,230
TOTAL OPERATING EXPENSES	734,930	1,040,208	1,775,138
Net Operating Income <Loss>	-340,741	-440,246	-780,987

	Water Supply System	Sewage Disposal System	Totals
NON-OPERATING REVENUE <EXPENSES>			
Tap in Charges	\$ 156,000	\$ 157,500	\$ 313,500
Interest and Fees Expense	-150,815	-200,420	-351,235
Interest Income	7,985	55,222	63,207
Special Assessment	---	159,815	159,815
Rental Income	---	4,710	4,710
LDFA Contribution	176,775	114,967	291,742
Second Meter Sales	25,875	---	25,875
Other Income	19,980	4,115	24,095
TOTAL NON-OPERATING REVENUE <EXPENSES>	235,800	295,909	531,709
NET INCOME <LOSS>	-104,941	-144,337	-249,278
AMORTIZATION OF CONTRIBUTED CAPITAL	2,495	126,571	129,066
NET INCOME <LOSS> AFTER AMORTIZATION OF CONTRIBUTED CAPITAL	-102,446	-17,766	-120,212
RETAINED EARNINGS, BEGINNING OF YEAR	990,911	2,819,570	3,810,481
RETAINED EARNINGS - END OF YEAR	\$ 888,465	\$ 2,801,804	\$ 3,690,269

VILLAGE OF DEXTER

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Water Supply System	Sewage Disposal System	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Operating Income <Loss>	\$ -340,741	\$ -440,246	\$ -780,987
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:			
Depreciation	277,476	474,076	751,552
Decrease <Increase> in receivables	93,327	-60,830	32,497
Decrease <Increase> in due from other funds	---	102,225	102,225
Decrease <Increase> in special assessments	22,718	42,192	64,910
Increase <Decrease> in payables	3,360	9,490	12,850
NET CASH FLOWS FROM OPERATING ACTIVITIES	56,140	126,907	183,047
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Tap in Charges Receipts	156,000	157,500	313,500
Special Assessment Receipts	---	159,815	159,815
Rent Receipts	---	4,710	4,710
LDFA Contribution	176,775	114,967	291,742
Other Income	45,855	4,115	49,970
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	378,630	441,107	819,737
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Bonds and Loans Issued	178,000	112,000	290,000
Payment for Capital Assets	-473,565	-99,964	-573,529
Principal Repayments	-700,750	-671,773	-1,372,523
Interest Paid	-150,815	-200,420	-351,235
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-1,147,130	-860,157	-2,007,287
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts of Interest	7,985	55,222	63,207
NET INCREASE <DECREASE> IN CASH	-704,375	-236,921	-941,296
CASH BALANCE - BEGINNING OF YEAR	1,334,948	1,123,924	2,458,872
CASH BALANCE - END OF YEAR	\$ 630,573	\$ 887,003	\$ 2,458,872

OTHER STATISTICAL INFORMATION

VILLAGE OF DEXTER

SCHEDULE OF LONG-TERM DEBT

ENTERPRISE FUND DEBT

FEBRUARY 29, 2004

1995 SPECIAL ASSESSMENT BONDS GENERAL OBLIGATION, LIMITED TAX

For Water (35%) and sewer (65%) for System Extensions,
Bond issue, dated January 1, 1995 for \$445,000, maturing
April 1 (principal and interest) and October 1 (interest).

	Fiscal Year End	Interest Rates	Interest	Principal
Total Amount Due	2005	5.90%	\$ 2,655	\$ 45,000
Allocation by Fund:				
Water Fund 35%			\$ 929	\$ 15,750
Sewer Fund 65%			1,726	29,250
Total Amount Due			\$ 2,655	\$ 45,000

1998 VILLAGE OF DEXTER BONDS

The annual payments on the 1998 Village of Dexter Bonds
Maturing April 1(interest) and October 1
(principal and interest) are as follows:

	Fiscal Year End	Interest	Principal
	2005	\$ 19,270	\$ 35,000
	2006	17,694	40,000
	2007	15,856	40,000
	2008	13,996	40,000
	2009	12,116	45,000
	2010	9,956	45,000
	2011	7,750	50,000
	2012	5,250	50,000
	2013	2,750	55,000
Total Amount Due		\$ 104,638	\$ 400,000

1999 WATER SUPPLY SYSTEM REVENUE BOND

Bond issue dated December 15, 1999, for \$3,173,000.
Interest is 4.375% and payments are due on October 1.

	Fiscal Year		
	End	Interest	Principal
2005	\$	107,056	\$ 37,000
2006		105,438	38,000
2007		103,775	40,000
2008		102,025	42,000
2009		100,187	44,000
2010		98,263	46,000
2011		96,250	48,000
2012		94,150	50,000
2013		91,963	52,000
2014		89,688	54,000
2015		87,325	56,000
2016		84,875	58,000
2017		82,338	61,000
2018		79,669	64,000
2019		76,869	67,000
2020		73,937	70,000
2021		70,875	73,000
2022		67,681	76,000
2023		64,356	79,000
2024		60,900	83,000
2025		57,269	86,000
2026		53,506	90,000
2027		49,569	93,000
2028		45,500	97,000
2029		41,256	101,000
2030		36,838	106,000
2031		32,200	110,000
2032		27,387	115,000
2033		22,356	120,000
2034		17,106	126,000
2035		11,594	131,000
2036		5,863	134,000
Total Amount Due		\$ 2,138,064	\$ 2,447,000

VILLAGE OF DEXTER

SCHEDULE OF LONG-TERM DEBT (CONTINUED)

ENTERPRISE FUND DEBT (CONTINUED)

FEBRUARY 29, 2004

2000 SEWAGE DISPOSAL SYSTEM REVENUE BONDS

Bond issue Series 2000A for \$1,933,000 and Series 2000 B for \$1,533,000 (total of \$3,466,000) dated February 8, 2000. Series A Bonds bear interest at 5% and Series B Bonds bear interest at 4.375%. Payments are due October 1.

Fiscal year End	Series A		Series B	
	Interest	Principal	Interest	Principal
2005	\$ 79,250	\$ 19,000	\$ 55,475	\$ 17,000
2006	78,300	20,000	54,731	18,000
2007	77,300	21,000	53,944	19,000
2008	76,250	22,000	53,113	20,000
2009	75,150	23,000	52,237	20,000
2010	74,000	25,000	51,363	22,000
2011	72,750	26,000	50,400	23,000
2012	71,450	27,000	49,394	24,000
2013	70,100	28,000	48,344	25,000
2014	68,700	30,000	47,250	26,000
2015	67,200	31,000	46,113	27,000
2016	65,650	33,000	44,931	28,000
2017	64,000	35,000	43,706	30,000
2018	62,250	36,000	42,394	31,000
2019	60,450	38,000	41,037	32,000
2020	58,550	40,000	39,638	34,000
2021	56,550	42,000	38,150	35,000
2022	54,450	44,000	36,619	36,000
2023	52,250	46,000	35,044	38,000
2024	49,950	49,000	33,381	40,000
2025	47,500	51,000	31,631	42,000
2026	44,950	54,000	29,794	43,000
2027	42,250	57,000	27,913	45,000
2028	39,400	60,000	25,944	47,000
2029	36,400	63,000	23,888	49,000
2030	33,250	66,000	21,744	51,000
2031	29,950	70,000	19,512	53,000
2032	26,450	73,000	17,194	55,000
2033	22,800	77,000	14,788	58,000
2034	18,950	81,000	12,250	60,000
2035	14,900	85,000	9,625	63,000
2036	10,650	89,000	6,869	66,000
2037	6,200	93,000	3,981	69,000
2038	1,550	31,000	963	22,000
Total Amount Due	\$ 1,709,750	\$ 1,585,000	\$ 1,163,360	\$ 1,268,000

1998 NORTHEAST SEWER SPECIAL ASSESSMENT BONDS

For Sewer Extensions, Bond issue dated July 1, 1998 for \$1,735,000, maturing April 1 (interest) and October 1 (principal and interest).

	Fiscal Year End	Interest Rates	Interest	Principal
	2005	4.125%	\$ 29,025	\$ 180,000
	2006	4.000	21,600	180,000
	2007	4.000	14,400	180,000
	2008	4.000	7,200	180,000
Total Amount Due			<u>\$ 72,225</u>	<u>\$ 720,000</u>

LASALLE BANK INSTALLMENT NOTE

Dated December 28, 2001. Annual payments due on May 28.

	Fiscal Year End	Interest Rates	Interest	Principal
	2005	5.05%	\$ 8,369	\$ 29,964
	2006	5.05	6,856	31,477
	2007	5.05	5,267	33,066
	2008	5.05	3,597	34,736
	2009	5.05	1,843	36,491
Total Amount Due			<u>\$ 25,932</u>	<u>\$ 165,734</u>

VILLAGE OF DEXTER

SCHEDULE OF LONG-TERM DEBT - CONTINUED

GENERAL LONG-TERM DEBT

FEBRUARY 29, 2004

	Fiscal Year End	Interest	Principal
1998 VILLAGE OF DEXTER BONDS			
The annual payments on the 1998 Village of Dexter Bonds maturing April 1 (interest) and October 1 (principal and interest) are as follows:			
	2005	\$ 25,890	\$ 60,000
	2006	23,190	60,000
	2007	20,430	60,000
	2008	17,640	60,000
	2009	14,820	60,000
	2010	11,940	60,000
	2011	9,000	60,000
	2012	6,000	60,000
	2013	3,000	60,000
Total Amount Due		<u>\$ 131,910</u>	<u>\$ 540,000</u>

	Fiscal Year End	Interest	Principal
1996 VILLAGE OF DEXTER BONDS			
The annual payments on the 1996 Village of Dexter Bonds maturing May 1 (principal and interest) and November 1 (interest) are as follows:			
	2005	\$ 5,611	\$ 55,000
	2006	1,740	60,000
Total Amount Due		<u>\$ 7,351</u>	<u>\$ 115,000</u>

	Fiscal Year End	Interest Rate	Interest	Principal
2002 VILLAGE OF DEXTER BONDS				
The annual payments of the Village of Dexter Bonds Maturing May 1 (Principal and Interest) and November 1 (interest) are as follows:				
	2005	2.00%	\$ 54,552	\$ 25,000
	2006	2.00%	54,002	30,000
	2007	2.50%	52,452	100,000
	2008	2.70%	49,785	105,000
	2009	3.00%	46,717	110,000
	2010	3.25%	43,199	115,000
	2011	3.50%	39,230	120,000
	2012	3.50%	34,855	130,000
	2013	3.60%	30,150	135,000
	2014	3.70%	25,130	140,000
	2015	3.80%	19,880	140,000
	2016	4.00%	14,420	140,000
	2017	4.10%	8,750	140,000
	2018	4.20%	2,940	140,000
Total Amount Due			<u>\$ 476,062</u>	<u>\$1,570,000</u>

COMPONENT UNIT - LDFA

1981 LOCAL DEVELOPMENT REFUNDING BONDS

General Obligation, Limited Tax Issue of \$2,070,000, dated August 19, 1999, maturing April 1 (principal and interest) and October 1, (interest).
Interest rate: 4.1% to 5.0 %

Total Amount Due

Fiscal Year End	Interest	Principal
2005	\$ 49,565	\$ 340,000
2006	32,953	345,000
2007	12,250	490,000
	<u>\$ 94,768</u>	<u>\$ 1,175,000</u>

1999 CONTRACT PAYABLE TO VILLAGE OF DEXTER

LDFA portion (30%) of 1999 Village of Dexter water supply system project costs

Total Amount Due

2005	\$ ---	\$ 176,775
2006	---	176,775
	<u>\$ ---</u>	<u>\$ 353,550</u>

1999 CONTRACT PAYABLE TO VILLAGE OF DEXTER

LDFA portion (30%) of 2000 A&B Village of Dexter sewer disposal system project costs

Total Amount Due

2005	\$ ---	\$ 114,967
2006	---	114,967
	<u>\$ ---</u>	<u>\$ 229,934</u>

VILLAGE OF DEXTER

SCHEDULE OF LONG-TERM DEBT (CONTINUED)

COMPONENT UNIT - DDA

FEBRUARY 29, 2004

1994 Downtown Development Bonds

(General Obligation *Limited Tax*) issued November 1, 1994 for \$255,000, maturing May 1 (interest) and November 1(interest and principal).

Fiscal Year End	Interest Rates	Interest	Principal
2005	6.84%	\$ 11,395	\$ 25,000
2006	6.84%	9,683	25,000
2007	6.84%	7,945	25,000
2008	6.84%	6,020	30,000
2009	6.84%	3,905	30,000
2010	6.84%	1,420	40,000
Total Amount Due		<u>\$ 40,368</u>	<u>\$ 175,000</u>

Village of Dexter

Balance due January 31, 2015. Interest accrues at 3%.

\$315,000

2001 VILLAGE OF DEXTER BONDS

The annual payments on the 2001 Village of Dexter Bonds maturing May 1 (principal and interest) and November 1 (interest) are as follows:

Fiscal Year End	Interest Due		Principal
	May 1	Nov. 1	May 1
2005	\$ 22,878	\$ 22,352	\$ 15,000
2006	22,352	21,303	30,000
2007	21,303	20,252	30,000
2008	20,252	19,334	35,000
2009	19,334	18,434	40,000
2010	18,434	17,533	40,000
2011	17,533	16,499	45,000
2012	16,499	15,324	50,000
2013	15,324	14,003	55,000
2014	14,003	12,657	55,000
2015	12,657	11,118	60,000
2016	11,118	9,453	65,000
2017	9,453	7,660	70,000
2018	7,660	5,778	70,000
2019	5,778	3,897	70,000
2020	3,897	2,016	70,000
2021	2,016	---	75,000
Total Amount Due		<u>\$ 240,491</u>	<u>\$ 875,000</u>

Karl L. Drake, P.C.
Certified Public Accountant

3775 Kimmel Road
Horton, Michigan 49246

(517) 563-8856 Phone / 563-2552 Fax
Email: kdrake@voyager.net

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Village Council
Village of Dexter

We have audited the general purpose financial statements of the Village of Dexter as of and for the year ended February 29, 2004, and have issued our report thereon dated June 6, 2004. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Dexter's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances on compliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Dexter's control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and do not provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



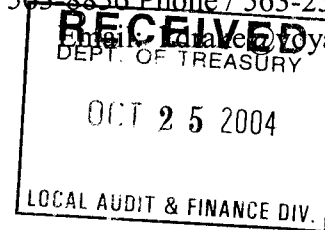
Karl L. Drake, P.C.
Certified Public Accountant

June 9, 2004

Karl L. Drake, P.C.
Certified Public Accountant

3775 Kimmel Road
Horton, Michigan 49246

(517) 563-8856 Phone / 563-2552 Fax
Email: kdrake@voyager.net



June 9, 2004

Village Council
Village of Dexter
Dexter, Michigan 48130

We have audited the financial statements of Village of Dexter for the year ended February 29, 2004, and have issued our report thereon dated June 9, 2004. In planning and performing our audit of the general purpose financial statements, we considered the Village's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of the Village of Dexter is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded in accordance with United States generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Therefore, we have prepared the following comments and recommendations to communicate the results of our testing and observations and to make suggestions to improve upon the existing internal control structure.

Financial Overview

The General Fund finished the year with a General Fund fund balance of \$565,727. This is a continued improvement over the prior year of \$335,307, and represents a balance of 25.46% of current year revenue. This level provides a stable economic base from which to operate. Given the continuing changes coming from our state's governor's office and the current economic climate, a stable fund balance is a necessity to ensure continuation of the current level of services to your community.

Proprietary Funds

Both the water and sewer funds experienced losses this year. This is in spite of receiving substantial amounts (approximately \$150,000 each) of tap-in fees this year, and substantial contributions from the LDFA (approximate average of \$145,000 each). We recommend that the rate structure be examined to make sure operating revenues keep up with operating expenses. The tap-in fees will decline substantially as Village subdivisions decline in new home construction.

Accounting Staff

Marie has completed her second year at the Village. The following are items that needed to be adjusted this year to correct the accounting records.

- Amounts due for the current year, but not yet paid (accounts payable) were not entered into the accounting records.
- Property taxes receivable, amounts due to the DDA and LDFA were incorrect.
- Final DAPCO interest amounts were not netted against interest receivable.
- Bond payments for the debt fund (streetscape) were posted to incorrect accounts.
- Sewer and Water fund bond principal payments posted incorrectly. Loan amounts received from Rural Development posted as revenue instead of increasing the Bonds payable. Principal payments recorded as expenditures instead of reducing the Bonds payable.
- Depreciation not recorded in the Water and Sewer funds.
- Water and sewer funds equipment and system improvement expenditures recorded as expenses instead of increases in capital assets.

In total, seven pages of adjusting entries were made to reconcile the accounting records. To insure accurate reporting on a monthly basis that can be relied upon for executive decision making, greater care needs to be taken in making sure that entries are posted correctly and properly. Specifically the following should be reviewed on a monthly basis.

- Invoices for accounts payable should be entered when the accounting department receives them, rather than when the items are paid. This would give a greater understanding of the cash position and the financial position of the funds on a monthly basis.
- Depreciation expense in the Water and Sewer funds should be entered as a standard entry every month, and adjusted as system improvements are made or new equipment is purchased.

- A better understanding is necessary of the differences in accounting rules between the debt funds and the proprietary funds (water and sewer). In the debt funds, bond principal and interest payments should be recorded as expenditures. In the proprietary funds, bond principal payments should be recorded as reductions in the bonds payable accounts. Bond interest payments should be recorded as expenditures.

GASB 34

Beginning March 1, 2004, new accounting rules will be implemented which will dramatically change the format of the audit report, and the way that fund balances are calculated. The Government Accounting Standards Board (GASB) has issued pronouncement 34, which makes accounting rule changes for all governments, including villages. GASB 34 changes the reporting format of the financial records by adding two new combined financial statements, and changing the format of the existing fund accounting. It will not be necessary to change any of the existing accounting system to comply with GASB 34. It will be necessary, only at the end of the year, to create the combined financial statements. The following are new items that will be necessary to create the combined financial statements.

- Establishment of a capitalization level by the Village Council. This will determine the minimum cost for assets to be included in the fixed assets of the Village. I recommend a level of at least \$5,000.
- Creation of a fixed asset schedule of Village fixed assets. Currently a fixed asset record is maintained for the Water and Sewer funds. These funds will not be included in the combined financial statements. Proprietary funds are not included. The following are necessary for all fixed assets.
 1. Original cost
 2. Date of purchase
 3. Useful life
 4. Salvage value
 5. Accumulated depreciation at February 29, 2004
 6. Current year depreciation expense
 7. Accumulated depreciation at February 28, 2005

These fixed assets need to include land, buildings, improvements, equipment, and infrastructure assets (streets, bridges, curbing, etc.)

- Interest payable on all bonds and notes payable (except for Water and Sewer fund bonds and loans) will need to be calculated. This is the amount of interest due from the last bond and note payment made until the end of the fiscal year. This amount needs to be calculated for the years ending February 29, 2004 and February 28, 2005.
- GASB 34 requires management to write a "management discussion and analysis" as part of the final audit report. There are several required elements of this discussion, and there are several examples from which to choose the format and details of the report.
- GASB 34 requires a display of the original and final budget of all major funds. A description of the reasons for the significant budget amendments is also required.

Thank you for the opportunity to work with your Village. You have made great strides in bringing financial stability to your community. You are continuing to experience growth and improvements in many areas of Village operations. With this growth come challenges, but great opportunities.

The above comments are intended for the use of management and the Village of Dexter Village Council. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Sincerely,

A handwritten signature in cursive script, reading "Karl L. Drake". The signature is written in dark ink on a white background.

Karl L. Drake, CPA